



PRESS RELEASE

House Armed Services Committee

Floyd D. Spence, Chairman

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STATEMENT OF CHAIRMAN FLOYD SPENCE

FULL COMMITTEE HEARING ON FY 2000 BUDGET

MILITARY SERVICE CHIEFS OF STAFF

Today the committee continues its oversight of the fiscal year 2000 defense budget. We have with us today:

- General Dennis Reimer, Chief of Staff of the Army;
- Admiral Jay Johnson, Chief of Naval Operations;
- General Ralph Eberhart, Vice Chief of Staff of the Air Force; and
- General Charles Krulak, Commandant of the Marine Corps.

General Eberhart is sitting in for General Ryan who is out of the country this week and therefore unable to be with us.

I want to apologize to our witnesses for the inconvenience caused by postponement of this hearing on February 10th. Back on February 9th, the day before the hearing, I received a letter from Deputy Secretary Hamre indicating that the Chiefs would not be able to discuss their shortfalls at the hearing because OSD had not had time to review the Chiefs' shortfall lists. While Dr. Hamre's letter raised a number of institutional and prerogative concerns, the bottom line was straightforward — this is one of our most important hearings of the year and I did not want to conduct it if our witnesses were not going to be in a position to discuss their budgets in complete detail. So once again, my apologies. I am glad we are back on track.

When the Chiefs did appear before the committee back in January, along with General Shelton, one message we heard was that the President's budget represented a turnaround following years of declining defense spending.

At that time, the Committee lacked the information necessary to either confirm or challenge this assertion. With the budget now before us, however, the reality of the numbers, the magnitude of the gimmicks, and the nature of the political conditions, all reflect a budget that falls far short of the rhetorical promise.

Even if every assumption, gimmick and political condition is viable, the President has proposed a \$4 billion dollar, not a \$12.6 billion dollar, top line spending increase. Even with the "smoke and mirrors," the department's own figures indicate that the fiscal year double zero budget represents real spending decline — as

do two of the next three budgets. There is no “sustained increase” in this budget until the outyears.

As I have said over the past several weeks, the President’s budget is built on a troubling foundation of risky economic assumptions, cuts to other defense programs and gimmicks.

First, the President’s request cuts more than \$3 billion dollars from the military construction program and reprograms the funding to other accounts. It is an unprecedented action that could decimate an already chronically underfunded construction program.

Second, the request proposes \$2.5 billion dollars in rescissions of prior-year defense spending to pay for the Wye River Agreement and to create the budget “head room” necessary to jam the fiscal year double zero budget in under the spending caps.

Third, the request is premised on \$3.8 billion dollars in inflation and fuel savings. Betting on the economy to provide the resources necessary to address critical military needs is a high risk gamble. As I have said before, the services’ requirements are real, but the savings may never be.

Finally, even the \$4.1 billion dollars in new budget authority proposed by the President is predicated on a gimmick. At least \$2.9 billion dollars of the total is based on an Administration proposal to take mandatory savings from taxes on real estate investment trustfunds and spend these savings on defense. In essence, take credit for mandatory savings and then apply the savings to increase discretionary spending. So even the \$4.1 billion dollar budget increase may not be real.

The same kind of political and budgetary shell game also characterizes the six year defense plan. The President has proposed an \$84 billion dollar increase over the next six years, which is only about one-half of what our witnesses have indicated is necessary to address critical unfunded requirements. However, even this \$84 billion comes with serious political strings attached. The President states very clearly in his budget that “If Social Security Reform is not enacted, discretionary spending levels [for defense] would be reduced to those assumed in the Balanced Budget Act of 1997 for 2001 through 2004.”

So, according to the President, there will be no pay raise, or retirement reform, or pay table reform, or increased readiness funding, or money for Bosnia operations, or a more robust modernization program etc., etc., unless Social Security is reformed. What kind of statement does this make to the troops? What kind of message are we sending when the Commander-in-Chief consciously holds legitimate national security requirements hostage to domestic politics? Either the services have shortfalls that need addressing or they don’t. This budget may be viewed as clever politics in the minds of some downtown, but it sends a terrible message to the troops and it certainly does not represent a serious commitment to addressing our witnesses’ critical unfunded requirements.

The bottom line is risk. Our witnesses have testified in the past that the level of risk associated with executing the national military strategy *remains high* – which, in laymen’s terms, means increased American casualties and a reduced ability to respond rapidly in time of crisis or war. What happens to this already high level of risk if Social Security reform does not happen this year and the President delivers on his threat not to provide even the \$84 billion in increased defense spending? Needless to say, I look forward to this morning’s hearing.

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